COUNTY SELLS $86.1 MILLION IN BONDS FOR SCHOOL CAPITAL PROJECTS

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Montgomery County, Virginia **–** Montgomery County's reaffirmed bond ratings by two top national bond rating agencies has resulted in the sale of $86.1 million in bonds in an interest rate market near 40 year lows.

The general obligation bonds sold today through the Virginia Public School Authority (VPSA) will finance two high schools and the renovation of a middle school at an all in borrowing cost of 3.63 percent, below the conservative budget planning rate of 4.05 percent used this past summer. "Even though we issued through the VPSA, the issue was sold using the County's general obligation bond ratings. The County's strong ratings attracted competitive bids from eight of the top investment banks in the United States," said Courtney Rogers, Senior Vice President with Davenport & Company LLC, the County's financial advisor. "J.P. Morgan Securities LLC was the winning bid, which was 2 basis points below the cover bid. In fact, the cover, third and fourth place bids were less than 0.005 percent apart. This shows how competitive the bids were."

"The coupons on the bonds are higher than the yield," Rogers said. "Thus the County was able to issue fewer bonds while still producing the nearly $98 million needed for the projects."

"The County was able to borrow at lower interest rates because our bond ratings were reaffirmed, which is especially positive in the current economic environment. This will reduce debt service payments during the 20-year life of the bonds," said Chairman Jim Politis. "The County's strong finances, strong reserves and strong financial management all contributed to this good news."

The County's last new money bond issuance in 2008 was at 4.77 percent, with the then-upgraded bond ratings for this issuance. An additional $15 million of no-interest Qualified School Construction Bonds was awarded earlier this year for the new Blacksburg High School.

Standard and Poor's recently affirmed the County's General Obligation AA bond rating. Their AA rating was based on "continued growth and diversification of the employment base, anchored by (Virginia Tech), coupled with, what we consider, strong wealth and adequate income that are somewhat mitigated by the sizable student population; Continuation of modest property tax base growth despite the economic downturn due to ongoing economic development; strong finances with, what we view as, strong reserves and strong financial management, which has helped the county weather near-term budget stress; and moderate debt with limited additional capital needs following this issuance."

Moody's Investors Service also affirmed its General Obligation Aa2 bond rating. "The Aa2 rating reflects the county's moderately-sized tax base anchored by (Virginia Tech), satisfactory financial position and above-average debt burden." The challenges cited by the report include maintaining satisfactory reserves, implementation of a 10 cent real estate tax rate increase and adherence to established debt policies.

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